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BY-LAWS
OF
STONEWOOD COMMUNITY ASSOCIATION

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BY-LAWS

OF

STONEWOOD COMMUNITY ASSOCIATION

ARTICLE I

DEFINITIONS

All terms as used in these By-Laws shall, unless stated otherwise, be defined as set forth in that certain Declaration of Covenants, Conditions and Restrictions for Tract No. 10306 recorded in Book 9815 Page 619 of Official Records of San Bernardino County, California (the "Declaration") and any amendments thereto. All of the terms and provisions of the Declaration and any amendments thereto are hereby incorporated herein by reference.

ARTICLE II

PRINCIPAL OFFICE

Principal Office: The principal office for the transaction of the business of the Association is hereby fixed and located within the County of San Bernardino, State of California. The Board is hereby granted full power and authority to change said principal office from one location to another within said San Bernardino County.

ARTICLE III

MEMBERS

Section 1. Membership. Every person or entity who is an Owner of a Lot shall be a Member of the Association as provided in the Declaration. Membership shall be appurtenant to and may not be separated from ownership of any Lot which gives rise to such membership in the Association. Ownership of such a Lot or interest therein shall be the sole qualification for membership. Transfer of a Lot shall automatically transfer membership in the Association and all rights of the transferor with respect to the Common Area. The provisions of these By-Laws which are binding upon all Members, are not exclusive, and members shall also be subject to the terms and provisions of the Declaration, the Articles and Association Rules.

Section 2. Termination of Membership. Membership in the Association shall automatically terminate when such Member sells and transfers his Lot.

Section 3. Voting Rights. The Association shall have the classes of voting membership as set forth in the Declaration. Class A members shall be all Owners with the exception of Declarant (until the termination of the Class B membership). Each Class A Member shall be entitled to one (1) vote for each Lot owned. The Class B. Member shall be the

Declarant. The Class B Member shall be entitled to three (3) votes for each Lot owned. The Class B membership shall terminate at the times as provided in the Declaration.

Section 4. Plural Memberships. A Member may not own more than one membership in the Association but a Member shall have the votes for each Lot owned as set forth in the Declaration.

Section 5. Assessments. The Members shall be jointly, severally and personally liable for the payment of such Assessments as may from time to time be fixed and levied by the Board pursuant to the provisions of the Declaration. Should any Member fail to pay his Assessments before delinquency, the Association, at the discretion of the Board, shall have the right to suspend the voting rights and easements of use and enjoyment of the Common Area of such Member, subject to the procedural safeguards established under Section 6 of this Article, for any period during which the payment of any such Member's Assessments remains delinquent.

Section 6. Association Rules; Enforcement. The Board shall have the power to adopt, amend, and repeal such rules and regulations as it deems reasonable, which may include the establishment of a system of fines and penalties enforceable as a reimbursement assessment pursuant to the Declaration. Any such disciplinary action by the Board shall satisfy the minimum requirements of Section 7341 of the Corporations Code before a decision to impose disciplinary action is reached with respect

to the accused Member. In addition, said rules and regulations shall provide that no fine or penalty shall be levied without the following procedural safeguards:

(a) A written statement of the alleged violations shall be provided to any Member against whom such charges are made and such written statement shall provide a date on which the charges shall be heard;

(b) No proceedings under this Section shall be brought against any Member unless such Member shall have received a written statement of charges at least thirty (30) days prior to that hearing;

(c) No proceeding shall be brought against any Member more than sixty (60) days after such Member is provided a written statement of charges;

(d) The Board shall appoint a panel of three (3) capable persons (one of whom shall be designated a chairman) who may or may not be Members and who shall hear the charges and evaluate the evidence of the alleged violation;

(e) At such hearing the Member so charged shall have the right to present oral and written evidence and to confront and cross-examine adverse witnesses;

(f) The panel shall deliver to the Member so charged within seven (7) days after the hearing a written decision which specifies the fines or penalties levied, if any, and the reasons therefor.

(g) In the event that a Member shall correct an alleged violation prior to the hearing date, the Board shall discontinue the proceedings.

ARTICLE IV
MEETINGS OF MEMBERS

Section 1. Place of Meetings. All meetings of Members shall be held at the Project or as close thereto as possible, or at such other place in the County of San Bernardino as may be fixed from time to time by resolution of the Board. Unless unusual conditions exist, meetings of Members shall not be held outside of San Bernardino County.

Section 2. Annual Meetings. The first annual meeting of the Members shall be held in San Bernardino County, within forty-five (45) days after the close of escrow representing the sale of fifty-one percent (51%) of the Units, or within six (6) months after the sale of the first Unit, whichever occurs first, and each subsequent regular annual meeting of the Members shall be held on the same month of each year thereafter, at such reasonable hour as may be established by the Board, in San Bernardino County, provided, however, that the Board by resolution may fix a date for the meeting no more than thirty (30) days before or after said date. If the day for the annual meeting of the Members is a legal holiday, the meeting will be held at the same hour on the first day following which is not a legal holiday. Control of the Project shall be turned over to the Association at the first annual meeting.

Section 3. Special Meetings. Special meetings of the Members shall be promptly called by the Board upon either (i) the

vote for such a meeting by a majority of a quorum of the Board or, (ii) the receipt of a written request therefor signed by Members representing at least five percent (5%) of the total voting power of the Association.

Section 4. Notice of Meetings. Written notice of meetings, annual or special, shall be given to each Member entitled to vote, either personally or by sending a copy of the notice through the first class mail, postage prepaid, to his address appearing on the books of the Association, or supplied by him to the Association for the purpose of notice. All such notices shall be sent to each Member entitled thereto not less than ten (10) days nor more than sixty (60) days before each meeting, and shall specify the place, the day and the hour of such meeting, and (i) in the case of special meetings, the general nature of the business to be transacted, and no other business may be transacted, or (ii) in the case of regular meetings, those matters which the Board, at the time of giving the notice, intends to present for action by the Members. Any approval of the Members required under Sections 7222, 7224, 7233, 7812 or 8719 of the California Corporations Code, other than unanimous approval by those entitled to vote, shall be valid only if the general nature of the proposal so approved was stated in the notice of the meeting. When any meeting of Members, either annual or special, is adjourned for thirty (30) days or more, notice of the time and place of the adjourned meeting shall be given as in the case of an original meeting. Except as afore-said, it shall not be necessary to give any notice of an adjourn-

ment or of the business to be transacted at an adjourned meeting, other than by announcement thereof at the meeting at which such adjournment is taken.

Section 5. Quorum. The presence at the meeting of Members entitled to cast, or of proxies entitled to cast fifty percent (50%) of the voting power shall constitute a quorum for any action except as otherwise provided in the Articles, the Declaration or these By-Laws. If any meeting cannot be held because a quorum is not present, the Members present, either in person or by proxy, may adjourn the meeting to a time not less than five (5) days nor more than thirty (30) days from the time the original meeting was called. The quorum for an adjourned meeting shall be fifty percent (50%) of the total voting power of the Association. If a time and place for the adjourned meeting is not fixed by those in attendance at the original meeting, or if for any reason a new date is fixed for the adjourned meeting after adjournment, notice of the time and place of the adjourned meeting shall be given in the manner prescribed for all meetings, annual or special. Except where a greater portion of the voting power is required by the Articles, the Declaration, or these By-Laws a majority of the voting power present, in person or by proxy, shall prevail at all meetings.

Section 6. Proxies. Every Member entitled to vote or execute consents shall have the right to do so either in person, or by an agent or agents authorized by a written proxy executed by such Member or his duly authorized agent and filed

with the Secretary of the Association. A validly executed proxy that does not state that it is irrevocable shall continue in full force and effect unless (i) revoked by the Member executing it prior to the vote pursuant thereto, or (ii) written notice of the death or incapacity of the maker of the proxy is received by the Association before the vote pursuant thereto is counted; provided, however, that no proxy shall be valid after the expiration of eleven (11) months from the date of the proxy, unless otherwise provided in the proxy, except that the maximum term of any proxy shall not exceed three (3) years from the date of execution. Anything to the contrary notwithstanding, any revocable proxy covering matters requiring a vote of the Members pursuant to Sections 7222, 7224, 7233, 7613(f)(1), 7812, 7911(a)(2), 8012, 8015(a), 8610 or 8719(a) of the California Corporations Code is not valid as to such matters unless it sets forth the general nature of the matter to be voted on.

Section 7. Form of Solicited Proxies. If the Association has more than 100 Members, any form of proxy distributed to 10 or more Members shall afford an opportunity on the proxy to specify a choice between approval and disapproval of each matter or group of related matters and disapproval of each matter or group of related matters intended, at the time the proxy is distributed, to be acted upon at the meeting for which the proxy is solicited, and shall provide, subject to reasonable specified conditions, that where the person solicited specifies a choice with respect to any such matter the vote shall be cast in accordance therewith. In any election of directors, any

form of proxy in which the directors to be voted upon are named therein as condidates and which is marked by a Member "withhold" or otherwise marked in a manner indicating that the authority to vote for the election of directors is withheld, shall not be voted either for or against the election of a director. Failure to comply with this paragraph shall not invalidate any Association action taken, but may be the basis for challenging any proxy at a meeting and the superior court may compel compliance therewith at the suit of any Member.

Section 8. Action Without Meeting. Any action which may be taken by the vote of the Members at a regular or special meeting, except the election of members of the Board where cumulative voting is a requirement, may be taken without a meeting if done in compliance with the provisions of Section 7513 of the Corporations Code.

ARTICLE V
BOARD OF DIRECTORS

Section 1. Number. The affairs of the Association shall be managed by a Board of five (5) directors, until such number of directors is changed by a by-law duly adopted by the Members amending this Section.

Section 2. Election. At the first annual meeting of the Association, the Members shall elect directors to fill all positions on the Board for a term of one (1) year; and at each annual meeting thereafter the Members shall elect directors for a term of one (1) year to succeed those directors whose terms have expired.

Section 3. Nomination of Directors. Nominations for the office of a Member of the Board of Directors shall be made by a Nominating Committee consisting of a chairman, who shall be a Member of the Board of Directors, and two (2) or more Members of the Association, all of whom shall be appointed by the Board of Directors prior to each annual meeting of the Members, to serve from the close of such annual meeting until the close of the next annual meeting. The Nominating Committee shall make as many nominations for election to the Board of Directors as it shall in its discretion determine, but not less than the number of vacancies that are to be filled. Nominations may also be made by Members from the floor at the annual meeting or such other meeting at which Members of the Board of Directors are to be elected. Such nominations may be made from among Members or non-Members.

Section 4. Election Procedures. Election to the Board of Directors shall be by secret written ballot. At such election the Members or their proxies may cast, in respect to each vacancy, as many votes as they are entitled to exercise under the provisions of the Declaration. The person receiving the largest number of votes shall be elected. Cumulative voting is required in all elections for the Board of Directors. Notwithstanding anything to the contrary contained in these By-Laws, at least twenty percent (20%) of the Board but not less than one (1) Member shall be selected solely by the votes of Members other than the Declarant at any election so long as a majority of the voting power of the Association resides in the Declarant.

Section 5. Removal. Any director may be removed from the Board, with or without cause, by a majority vote of the Members of the Association. However, unless the entire Board is removed, an individual director shall not be removed if the number of votes against the resolution for his removal exceeds the quotient arrived at when the total number of outstanding shares entitled to vote is divided by one (1) plus the authorized number of directors. Provided, however, that any Member of the Board of Directors who has been elected to office solely by the votes of Members of the Association other than the Declarant pursuant to Section 4 of this Article, may be removed from office prior to the expiration of his term of office only by the vote of a simple majority of the voting power residing in Members other than the Declarant. In the event of death or resignation of a Director, his successor shall be elected

by the remaining Members of the Board and shall serve for the unexpired term of his predecessor; provided, however, in the event of death or resignation of a director elected solely by the Members other than Declarant pursuant to Section 4 of this Article, such director may be replaced solely by Members other than Declarant under the same procedure. In the event of removal of a director, his successor shall be elected by the Members of the Association.

Section 6. Vacancies. Vacancies on the Board, except vacancies arising from removal of a director, may be filled by a vote of a majority of the remaining directors, though less than a quorum, and each director so elected shall hold office until his successor is elected at an annual meeting of Members, or at a special meeting called for that purpose. A vacancy or vacancies shall be deemed to exist in case of the death, resignation or removal of any director. If the Members shall increase the authorized number of directors but shall fail to elect the additional directors as provided for at the meeting at which such increase is authorized, or at an adjournment thereof, or in case the Members fail to at any time elect the full number of the authorized directors, a vacancy or vacancies shall be deemed to exist. The Members may at any time elect directors to fill any vacancy not filled by the directors, and may elect the additional directors at the meeting at which an amendment of the By-Laws is voted authorizing an increase in the number of directors. If any director tenders his resignation to the Board, the Board shall have power to elect a

successor to take office at such time as the resignation shall become effective. No reduction of the number of directors shall have the effect of removing any director prior to the expiration of his term of office.

Section 7. Regular Meetings. Regular meetings of the Board of Directors shall be held monthly at such place and hour within the Properties as may be fixed from time to time by resolution of the Board. However, such meetings may be conducted as infrequently as every six (6) months if the business to be transacted by the Board of Directors does not justify more frequent meetings. Notice of time and place of each meeting shall be posted at a prominent place or places within the Common Area and shall be communicated to Board members not less than four (4) days prior to the meeting; provided, however, that notice of a meeting need not be given to any Board member who has signed a waiver of notice or written consent to the holding of the meeting.

Section 8. Special Meetings. Special meetings of the Board of Directors may be called by written notice signed by the President of the Association, or by any two (2) directors other than the President, after not less than seventy-two (72) hours notice to each director. The notice shall specify the time and place of the meeting and the nature of any special business to be considered. The notice shall be sent to all members of the Board of Directors and posted in a manner prescribed for notice of regular meetings not less than seventy-two (72) hours prior to the scheduled time of the meeting; provided however that notice of the meeting

need not be given to any Board member who signed a waiver of notice or a written consent to holding of the meeting.

Section 9. Quorum. A majority of the number of directors as fixed by the Articles or these By-Laws shall be necessary to constitute a quorum for the transaction of business, except to adjourn as hereinafter provided. Every act or decision made or done by a majority of the directors present at a meeting duly held at which a quorum is present shall be regarded as the act of the Board.

Section 10. Attendance of Meetings. Regular and special meetings of the Board of Directors shall be open to all Members of the Association; provided, however, that Association Members who are not on the governing body may not participate in any deliberation or discussion unless expressly so authorized by the vote of a majority of a quorum of the Board of Directors.

Section 11. Adjournment of Meetings. The Board of Directors may, with the approval of a majority of a quorum of its members, adjourn a meeting and reconvene in executive session to discuss and vote upon personnel matters, litigation in which the Association is or may become involved and orders of business of a similar nature. The nature of any and all business to be considered in executive session shall first be announced in open session.

Section 12. Compensation. No director or officer of the Association shall receive compensation for any service he may render to the Association. However, any

director may be reimbursed for his actual expenses incurred in the performance of his duties on behalf of the Association.

Section 13. Indemnification of Directors, Officers and Employees. Except to the extent prohibited by then applicable law, the Association shall reimburse, indemnify and hold harmless each present and future director, officer and employee of the Association and each person who, at the request of the Association acts as a director, officer or employee of any other corporation in which the Association has an interest, from and against all loss, cost, liability and expense which may be imposed upon or reasonably incurred by him, including reasonable settlement payments, in connection with any claim, action, suit or proceeding or threat thereof, made or instituted, in which he may be involved or be made a party by reason of his being or having been a director, officer or employee of the Association or such other corporation, or by reason of any action alleged to have been taken or omitted by him in such capacity, if a disinterested majority of the Board (or, if a majority of the Board is not disinterested, then independent legal counsel) determines in good faith that such person was acting in good faith (a) within what he reasonably believed to be the scope of his authority or employment, and (b) for a purpose which he

reasonably believed to be in the best interests of the Association. The right of indemnification provided in this Section shall inure to each person referred to in this Section, whether or not the claim asserted against him is based on matters which arose in whole or in part prior to the adoption of this Section and in the event of his death shall extend to his legal representatives. The right of indemnification provided in this Section shall not be exclusive of any other rights to which any such person, or any other individual, may be entitled as a matter of law (including, without limitation, his rights under Section 830 of the California Corporations Code), or under any agreement, vote of directors or stockholders or otherwise.

Section 14. Records. The Board shall cause to be kept a complete record of all its acts and corporate affairs and to present a statement thereof to the Members at annual meetings of Members or at any special meeting where such statement is requested in writing by one-fourth (1/4) of the Members entitled to vote thereat.

ARTICLE VI
POWERS AND DUTIES OF DIRECTORS

Powers. In addition to the powers and duties of the Board as set forth in the Declaration and the Articles, and subject to limitations of the Articles, the Declaration, or these By-Laws and of the California Corporations Code as to actions to be authorized or approved by the Members, and subject to the duties of the directors as prescribed by these By-Laws, all corporate powers shall be exercised by or under the authority of, and the business and affairs of the Association shall be controlled by the Board. Without prejudice to such general powers but subject to the same limitations, the Board is vested with and shall have the following powers; to wit:

(a) to select, appoint and remove all officers, agents and employees of the Association, to prescribe such powers and duties for them as may be consistent with law, the Articles, the Declaration and/or these By-Laws to fix their compensation and to require from them security for faithful service when deemed advisable by the Board.

(b) to conduct, manage and control the affairs and business of the Association, and to enforce such rules and regulations therefor consistent with law, with the Articles, the Declaration and/or these By-Laws, as the Board may deem necessary or advisable.

(c) to fix, determine and name from time to time, if necessary or advisable, the nonprofit corporation, city or public agency which is then or there organized or operated for purposes similar to the purposes of this Association to which the assets of this Association shall be distributed upon liquidation or dissolution according to the Articles. The assets so distributed shall be those remaining after satisfaction of all just debts and obligations of the Association under the terms of a specific trust or trusts.

(d) to maintain the Project and the Common Area therein in accordance with the terms, covenants and conditions of the Declaration, but subject to the limitations on the power of the Board as specifically set forth in the Declaration.

ARTICLE VII
OFFICERS AND THEIR DUTIES

Section 1. Enumeration of Offices. The officers of the Association shall be a President and Vice-President, who shall at all times be Members of the Board of Directors, a Secretary and a Treasurer, and such other officers as the Board may from time to time by resolution establish.

Section 2. Election of Officers. The election of officers shall take place at the first meeting of the Board of Directors following each annual meeting of the Members.

Section 3. Term. The officers of the Association shall be elected annually by the Board and each shall hold office for one (1) year unless he shall sooner resign, or shall be removed, or otherwise be disqualified to serve.

Section 4. Special Appointments. The Board may elect such other officers as the affairs of the Association may require, each of whom shall hold office for such period, have such authority, and perform such duties as the Board may, from time to time, determine.

Section 5. Resignation and Removal. Any officer may be removed from office with or without cause by the Board. Any officer may resign at any time by giving written notice to the Board, and President or the Secretary.

Such resignation shall take effect on the date of receipt of such notice or at any later time specified therein, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 6. Vacancies. A vacancy in any office may be filled in the manner prescribed for regular election. The officer elected to such vacancy shall serve for the remainder of the term of any officer he replaces.

Section 7. Multiple Offices. The offices of Secretary and Treasurer may be held by the same person. No person shall simultaneously hold more than one of the other offices except in the case of special offices created pursuant to Section 4 of this Article.

Section 8. Duties. The duties of the officers shall be as follows:

(a) President

The President shall preside at all meetings of the Board of Directors and at all meetings of the Members; shall implement the orders and resolutions of the Board; shall sign all leases, mortgages, deeds and other written instruments and shall sign all promissory notes of the Association.

(b) Vice-President

The Vice-President shall act in the place and stead of the President in the event of his absence, inability or refusal to act, and shall exercise and discharge such other duties as may be required of him by the Board.

(c) Secretary

The Secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board and of the members; serve notice of meetings of the Board and of its Members; keep the corporate seal of the Association and affix it to all papers requiring such seal, keep, or cause to be kept, appropriate current records showing the Members of the Association, together with their addresses, and shall perform such other duties as may be required by the Board.

(d) Treasurer

The Treasurer shall receive and deposit in appropriate bank accounts all monies of the Association and shall disburse such funds as directed by resolution of the Board of Directors; shall sign all promissory notes of the Association; and keep proper books of account. The Treasurer may delegate the foregoing duties (except the duty to affix his signature to documents) to any person adequately covered by a fidelity bond unless expressly prohibited therefrom by the Board.

ARTICLE VIII

MISCELLANEOUS

Section 1. Record Owner. The record owner of each Lot as of the date of any annual or special meeting of the Members shall be entitled to vote at any such meeting.

Section 2. Inspection of Corporate Records.
The membership register, the books of account, and minutes of meetings of the Members' and Board meetings shall be open to the inspection of the directors and Members at reasonable times from time to time and in the manner provided in the Corporations Code of the State of California relating thereto.

Section 3. Checks, Drafts, etc. All checks, drafts, or other orders for payment of money, notes or other evidences of indebtedness, issued in the name of or payable to the Association, shall be signed or endorsed by such officer or officers and in such manner as, from time to time, shall be determined by resolution of the Board.

Section 4. Contracts, How Executed. The Board, except as in these By-Laws otherwise provided, may authorize any officer or officers, agent or agents, to enter into any contract or execute any instrument in the name of and on behalf of the Association, and such authority may be general or confined to specific instances; and unless so authorized by the Board, no officer, agent or employee shall have any power or authority to bind the Association by any contract or engagement or to pledge its credit or to render it liable for any purpose or for any amount. The Board shall not enter into any contracts for goods or services with a duration greater than one (1) year without the vote or written consent of a majority of the voting power of the Association residing in Members other than Declarant with the following exceptions: (i) a management contract, the terms of which have been approved by the Federal Housing Administration or Veterans Administration; (ii) a contract with a public utility company if the rates charged for the materials or services are regulated by the Public Utilities Commission; provided, however, that the term of the contract shall not exceed the shortest term for which the supplier will contract at the regulated rate; or (iii) prepaid casualty and/or liability insurance policies of not to exceed three (3) years' duration, provided that the policy permits for short rate cancellation by the insured. Any agreement for professional management of the Association or for services of the Declarant must provide that the management

contract may be terminated by either party without cause or payment of a termination fee upon ninety (90) days written notice and the term of such contract shall not exceed one (1) year.

Section 5. Budgets and Financial Statements. The Board shall cause financial statements for the Association to be prepared and sent to each Member as follows:

(a) A proforma operating statement (budget) for each fiscal year of the Association shall be prepared and distributed to each Member not less than sixty (60) days prior to the beginning of the fiscal year of the Association.

(b) A balance sheet as of an accounting date which shall be the last day of the month closest in time to six (6) months from the date of the first conveyance of a Unit and an income statement for the period from the date of the first closing to said accounting date shall be distributed to each Member not less than sixty (60) days after the accounting date. Said income statement for the first six (6) months accounting period shall include a schedule of Assessments received and receivable itemized for each Unit within the Project and by the name of the person or entity assessed therefor.

(c) ~~An~~ annual report consisting of a balance sheet as of the last day of the fiscal year and an operating income statement for the fiscal year shall be distributed within one hundred twenty (120) days after the closing of the fiscal year to each Member of the Association. Such annual report shall include a statement of changes in financial position for the fiscal year and any information required to be reported under Section 8322 of the California

Corporations Code. If such annual report is not prepared by an independent accountant as may be required by Section 7 of this Article, it shall be accompanied by the certificate of an authorized officer of the Association that the statements contained therein were prepared without audit from the books and records of the Association.

Section 6. Inspection of By-Laws. The Association shall keep in its principal office for the transaction of business the original or a copy of the By-Laws as amended, certified by the Secretary, which shall be open to inspection by all of the Members at all reasonable times.

Section 7. External Audit. An external audit prepared by an independent public accountant shall be required for fiscal year financial statements (other than budgets) of the Association for any fiscal year in which the gross income of the Association exceeds Seventy-Five Thousand Dollars (\$75,000.00). A copy of such audit shall be available for the inspection of each Member, officer or director of the Association within thirty (30) days of completion thereof.

Section 8. Singular Includes Plural. Wherever the context of these By-Laws requires same, the singular shall include the plural, and the masculine shall include the feminine.

Section 9. Conflicts. In the case of any conflict between the Articles of Incorporation and these By-Laws, the Articles shall control; and in the case of a conflict between the Declaration and the By-Laws, the Declaration shall control.

ARTICLE IX
BOOKS AND RECORDS

Section 1. Inspection Rights of Members. The membership register, books of account, records, papers, minutes of Member's meetings and Board of Directors' meetings and of committees of the Board of Directors of the Association shall at all times, during reasonable business hours, be subject to inspection by any Member and the lender of any Owner of a Unit, at any reasonable time and for a purpose reasonably related to his interest as a Member, at the office of the Association or at such other place within the Property as the Board shall prescribe.

Section 2. Rules for Inspection. The Board of Directors shall establish reasonable rules with respect to the following:

- (a) Notice to be given to the custodian of the records by the Member desiring to make the inspection;
- (b) Hours and days of the week when such an inspection may be made;
- (c) Payment of the cost of reproducing copies of documents requested by a Member.

Section 3. Rights of Directors. Every director shall have the absolute right at any reasonable time to

inspect all books, records and documents of the Association and the physical properties owned or controlled by the Association. The right of inspection by a director includes the right to make extracts and copies of documents.

ARTICLE X
AMENDMENTS

Section 1. Powers of Members. The By-Laws may be adopted, amended or repealed only by the vote or written assent of both (i) Members entitled to exercise a majority of the voting power of the Association, and (ii) a majority of the total possible votes of Members other than Declarant. Notwithstanding the foregoing, if the two-class voting structure is still in effect, these By-Laws may not be amended without the vote or written assent of a majority of the voting power of each class of membership.

Section 2. Record of Amendments. Whenever an amendment or new By-Law is adopted it shall be placed in the book of By-Laws in the appropriate place. If any By-Law is repealed, the fact of repeal, with the date of the meeting at which the repeal was enacted or written assent was filed, shall be stated in said book.

ARTICLE XI
CORPORATE SEAL

The Association shall have a seal in circular form
having within its circumference the words:

STONEWOOD HOMEOWNERS ASSOCIATION

INCORPORATED

November 2, 1979

California

CERTIFICATION

I, the undersigned, do hereby certify:

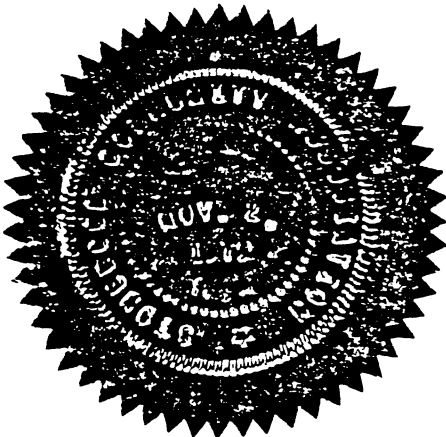
That I am the duly elected and acting Secretary of
STONEWOOD COMMUNITY ASSOCIATION, a California corpora-
tion.

That the foregoing By-Laws constitute the original By-
Laws of said Association, as duly adopted at a meeting of the
Board of Directors thereof held on the 22 day of
Sept, 1980.

IN WITNESS WHEREOF, I have hereunto subscribed my
name and affixed the seal of said Association this 22
day of Sept, 1980.

[Signature]
Secretary

(SEAL)



Section 4. Election Procedures. Election to the Board of Directors shall be by secret written ballot. At such election the Members or their proxies may cast, in respect to each vacancy, as many votes as they are entitled to exercise under the provisions of the Declaration. The person receiving the largest number of votes shall be elected. Cumulative voting is required in all elections for the Board of Directors. Notwithstanding anything to the contrary contained in these By-Laws, at least twenty percent (20%) of the Board but not less than one (1) Member shall be selected solely by the votes of Members other than the Declarant at any election so long as a majority of the voting power of the Association resides in the Declarant.

Section 5. Removal. Any director may be removed from the Board, with or without cause, by a majority vote of the Members of the Association. However, unless the entire Board is removed, an individual director shall not be removed if the number of votes against the resolution for his removal exceeds the quotient arrived at when the total number of outstanding shares entitled to vote is divided by one (1) plus the authorized number of directors. Provided, however, that any Member of the Board of Directors who has been elected to office solely by the votes of Members of the Association other than the Declarant pursuant to Section 4 of this Article, may be removed from office prior to the expiration of his term of office only by the vote of a simple majority of the voting power residing in Members other than the Declarant. In the event of death or resignation of a Director, his successor shall be elected

CERTIFICATION

I, the undersigned, do hereby certify:

That I am the duly elected and acting Secretary of
STONEWOOD COMMUNITY ASSOCIATION, a California corpora-
tion.

That the foregoing By-Laws constitute the original By-
Laws of said Association, as duly adopted at a meeting of the
Board of Directors thereof held on the 22 day of
Sept, 1990.

IN WITNESS WHEREOF, I have hereunto subscribed my
name and affixed the seal of said Association this 22
day of Sept, 1990.

[Signature]
Secretary

(SEAL)

